# Deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency

2023/0115(COD) - 20/04/2026 - Final act

PURPOSE: to establish a reformed framework for crisis management and deposit insurance (CMDI framework) applicable to banks within the EU.

LEGISLATIVE ACT: Directive (EU) 2026/804 of the European Parliament and of the Council amending Directive 2014/49/EU as regards the scope of deposit protection, the use of deposit guarantee schemes funds, cross-border cooperation, and transparency.

CONTENT: this directive is part of a package of amending acts aimed at **reforming the framework for managing banking crises and deposit insurance** (the "CMDI framework"). The revision of the CMDI also amends Directive 2014/59/EU (the Bank Recovery and Resolution Directive or "BRRD Directive") and Regulation (EU) No 806/2014 (the Single Resolution Mechanism Regulation or "SRM Regulation").

The amendments to the CMDI framework have the overall objectives of **better protecting financial stability and taxpayers' money, shielding the real economy from the impact of bank failures, and further strengthening depositor protection**. To this end, they aim to improve the crisis management tools used to address the failure of relatively small and medium-sized banks. The main instrument for achieving this is to allow resolution authorities to use deposit guarantee scheme funds to finance the implementation of a bank’s transfer resolution strategy if the internal loss-absorbing capacity of such bank is not sufficient to access the resolution funding arrangement.

This directive aims to **ensure the uniform protection of depositors in the Union**. It sets out the rules and procedures relating to the establishment and the functioning of deposit guarantee schemes (DGSs), the coverage and repayment of deposits, and the safeguards for the use of DGS funds for measures other than the repayment of deposits to ensure the access of depositors to their deposits.

***Enhanced protection for depositors and hierarchy of claims***

In insolvency or resolution proceedings, the deposit guarantee scheme - the industry-funded system that protects deposits under its scope up to EUR 100 000.

The directive **retains the current preference for the repayment of DGS-protected depositors in the first instance**, and a second tier for deposits of households and SME depositors not covered by the DGS. This order of preference will enhance depositor protection and help maintain trust in the banking system while ensuring business continuity.

Beyond the standard EU guarantee of EUR 100 000 per depositor per bank, certain deposits linked to real estate transactions will also be protected, **ranging from EUR 500 000 up to EUR 2 500 000** depending on the circumstances.

***Better regulation of the use of deposit guarantee schemes (DGS) funds outside of resolution***

The use of DGS funds for preventive measures remains optional for Member States but their use, becomes subject to additional conditions and safeguards, in particular the least cost test (LCT) which is the same as for use of DGS funds in resolution, i.e. capping the intervention at the gross amount of covered deposits.

***Lowest cost test***

The updated legislation provides for a harmonised approach to carrying out the so-called ‘least cost test’ to determine whether a bank should be able to use the resources of the DGS instead of using other measures such as liquidation through an insolvency procedure. It ensures that any use of DGS funds cannot exceed the amount of covered deposits held by the bank in question.

***Institutional Protection Systems (IPS)***

Institutional protection schemes (IPS) recognised as Deposit Guarantee Schemes are required to maintain an ex-ante target level at **0.8%** of covered deposits. They are allowed to temporarily transfer funds for the purpose of supporting affiliated institutions’ liquidity and solvency up to a certain limit and subject to safeguards. Those funds should be repaid within 7 working days in case of payout or a contribution to the resolution of a credit institution affiliated to such an IPS.

ENTRY INTO FORCE: 10.5.2026.

TRANSPOSITION: no later than 11.5.2028.